

KENTUCKY MINE SUBSIDENCE INSURANCE FUND

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**PLAN OF OPERATION
for the
KENTUCKY MINE SUBSIDENCE INSURANCE FUND**

The Commissioner of Insurance, by attached order, has designated the State Risk and Insurance Services Division of the Kentucky Department of Insurance as Administrator of the Kentucky Mine Subsidence Insurance Fund, hereinafter called the "Fund", pursuant to KRS 304, Subchapter 44.

The Administrator hereby establishes and adopts this Plan of Operation for the Fund in order to carry out the duty of the fund to provide insurance coverage for losses to structures within Kentucky arising out of or due to mine subsidence.

SECTION I

Purpose

The purpose of the Fund is to establish and maintain fair and reasonable policy endorsement terms and conditions which provide standard and uniform coverage and rates for all like risks similarly situated without regard to the primary direct insurer chosen by the property owner to provide other basic insurance coverage on structures eligible for mine subsidence coverage.

SECTION II

Memorandum of Agreement

The Department of Insurance and Natural Resources and Environmental Protection Cabinet work in collaboration to ensure the quality the Kentucky Mine Subsidence Insurance Fund.

SECTION III

Effective Date and Amendments

This Plan of Operation shall be effective and the fund shall be established as of the date shown on the attached order of the Commissioner. Amendments to this Plan proposed by the Administrator shall become effective after the Commissioner of Insurance has approved such Amendments.

SECTION IV

Definitions

The definitions established by KRS 304.44-010 is set forth here. Some definitions have been added to clarify certain terms in the statute.

1. "Department" means the Department of Insurance.
2. "Commissioner" means the Commissioner of Insurance of the Commonwealth of Kentucky.
3. "Mine Subsidence Insurance Fund" or "Fund" means the fund established by this subtitle and administered as determined by the department. KRS 3.04.44-010(3)
4. "Administrator" means the organization designated by the Commissioner of the department to administer the fund. KRS 304.44-010(7)
5. "Manager" means the person chosen by the Administrator to handle the day to day operations.
6. "Mine subsidence" means the collapse of underground coalmines resulting in damage to a structure. It does not include loss caused by earthquake, landslide, water seepage, volcanic eruption or collapse of storm and sewer drains. KRS 304.44-010(2)
7. "Structure" means any dwelling, building or fixture permanently affixed to realty, but does not include land, trees, plants or crops. KRS 304.44-010(6)
8. "Permanently affixed to realty" as used in the statutory definition of "structure" means that the dwelling, building or fixture was assembled or constructed at its present location upon a permanent foundation. It does not include any dwelling; building or fixture designed to be mobile or portable from location whether or not then located on a temporary foundation.
9. "Insurer" means any insurance company authorized by the Commissioner under any a provision of KRS Chapter 304 to write property insurance in this state.
10. "Policy" means a contract of insurance providing mine subsidence insurance. KRS 304.44-010(4)
11. "Contract of insurance" as used in the statutory definition of "policy" includes an endorsement for attachment to a policy.
12. "Basic property insurance" means the coverage against the peril of fire for direct loss to structure permanently affixed to realty at a fixed location.
13. "Premium" means the gross rate charges policyholders for insurance provided by this subtitle. KRS 304.44-010(5)

14. "Gross rate" as used in the statutory definition of "premium" means only the applicable manual rate established by the Administrator for the risk insured and does not include any municipal premium taxes or state insurance surcharges established or required by other authority.
15. "Eligible locations" means those counties of this state, which have underground coal-bearing stratum. They are:

Bath, Bell, Boyd, Breathitt, Breckinridge, Butler, Caldwell, Carter, Christian, Clay, Clinton, Crittenden, Daviess, Edmonson, Elliott, Estill, Floyd, Grayson, Greenup, Hancock, Harlan, Henderson, Hopkins, Jackson, Johnson, Knott, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, McCreary, McLean, Madison, Magoffin, Martin, Menifee, Montgomery, Morgan, Muhlenberg, Ohio, Owsley, Perry, Pike, Powell, Pulaski, Rockcastle, Rowan, Union, Warren, Wayne, Webster, Whitley, Wolfe.
16. "Qualified locations," means those eligible locations or counties where the fiscal courts have certified to the Administrator that they have approved of the availability of mine subsidence insurance within that county. They are:

Bell, Boyd, Breathitt, Butler, Carter, Christian, Clay, Daviess, Elliott, Edmonson, Floyd, Greenup, Hancock, Harlan, Henderson, Hopkins, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, McCreary, McLean, Martin, Morgan, Muhlenberg, Ohio, Perry, Union, Webster, Whitley, Wolfe.
17. "First report of loss" is the insurer's first notice to the fund that a policyholder has submitted a mine subsidence insurance claim.
18. "Loss" or "mine subsidence insurance loss" is the amount paid or payable by the insurer to its policyholder for mine subsidence damage sustained within the scope of the statutory mine subsidence insurance coverage.
19. "Plan of Operation" refers to the formal operating procedures followed by the Fund and the insurer, as established by the Administrator and approved by the Commissioner of Insurance.
20. "Proof of reinsured claim" is the documentation required by the plan of Operation to substantiate the fact that the loss in questions was due to mine subsidence and was covered by the statutory mine subsidence insurance coverage.
21. "Statutory mine subsidence insurance coverage" is the coverage which the insurer makes available to policyholders on any permanent structure located in the state in accordance with Chapter 304, Subtitle 44 of the Kentucky Revised Statutes.
22. "Coal Mining Activity" - Pre-August 3, 1977 means mined areas abandoned prior to August 3, 1977. Post-August 3, 1977 means active mines and mined areas abandoned after August 3, 1977.

SECTION V

Organization and Staff

1. The Commissioner has designated the Director of Division of State Risk and Insurance services of the Kentucky Department of Insurance as the Administrator of the Kentucky Mine Subsidence Insurance Fund. The Administrator will choose a Manager to handle the day to day operation of the Fund.

SECTION VI

Mandatory Insurer Participation

1. Every insurer which writes a policy of property insurance on any structure located in a county which has become a "qualified location" shall include in the policy or by endorsement coverage against loss or damage to the structure arising from coal mine subsidence.
2. Coverage for coalmine subsidence shall not be included in any policy:

(A) covering a structure in (1) an exempt location or (2) an eligible location which has not been "qualified" by approval of the fiscal court;

(B) if the applicant or insured has waived his right to the coverage in writing. A copy of the waiver form is attached as Exhibit 2.
3. No insurer nor any of its agents shall require, as a condition to the issuance of any policy of basic property insurance, that the applicant waive his right to obtain mine subsidence coverage.

SECTION VII

Coverage Forms

Insurers shall provide the mine subsidence coverage required by KRS Chapter 304, Subtitle 44, using forms, which have been filed with and approved by the Department of Insurance. Such forms shall not be changed unless approved by the Department of Insurance.

SECTION VIII

Income

1. Premium Income:
The continued eligibility of the mine subsidence program was contingent upon the program being state-administered and becoming self-sustaining. The program became self-sustaining by July 1990.

2. Investment Income:

The Federal Grant monies were used in order that the mine subsidence fund could be established and the program could become self-sustaining by July 1, 1990.

During the start up, mine subsidence premiums went toward building the Fund's Capital.

3. DWELLING STRUCTURES: (One, Two and Three Family Units)

The estimated annual premium income for dwelling structures is in direct relation to the premium rate, number of participating dwellings and the average amount of coverage per dwelling structure.

A premium table was established that provides premium rates for insurance values of \$15,000 or less in \$5,000 increments up to \$100,000 being the maximum coverage amount for the mine subsidence insurance. The premium rates increase from \$10.00 for \$15,000 or less insured value in increments of one dollar for each \$5,000 increase of insured valued up to \$27.00 for \$100,000 insured value. See Premium Table Exhibit 1.

The premium rate table was established by estimating loss frequency, average size and administrative cost including adjusting expense.

The number of dwelling structures expected to participate in the program was established by the number of households in the counties eligible for the mine subsidence insurance. This information was taken from the 1980 Census and housing summaries produced by Urban Studies Center, University of Louisville.

NON-DWELLING STRUCTURES (Commercial Structures)

The estimated annual premium income for the commercial structures is in direct relation to the premium rate, number of participating commercial structures and the average amount of coverage per structure.

A premium table was established providing premium rates for insurance values of \$15,000 or less in \$5,000 increments up to \$100,000 being the maximum coverage amount for the mine subsidence insurance. The premium table rates increase in \$1.00 increments from \$18.00 for \$15,000 or less coverage to \$35.00 for \$100,000 coverage. See Exhibit 1.

The premium rate table was established by estimating loss frequency, average size claim and administrative cost including claim-adjusting expense.

FARM DWELLINGS AND OUT BUILDINGS

Dwelling structure rates and minimum premium apply to all farm dwellings. For farm outbuildings with a farm dwelling already insured, each outbuilding is to be rated using the rate of \$1.00 for each \$5,000 increment of coverage. For farm outbuildings without a farm dwelling, rate the highest valued outbuilding using the rates and minimum premium for farm dwellings. The remaining outbuildings should be rated as above, \$1.00 for each \$5,000 increment of coverage.

MOBILE HOMES

Mobile homes and attachments are considered ineligible for Mine Subsidence Coverage.

SECTION IX

Reinsurance

1. Every insurer shall enter into a reinsurance agreement with the Administrator acting on behalf of the Mine Subsidence Insurance Fund whereby the insurer agrees to cede and the Fund agrees to accept a one hundred percent (100%) quota share of all mine subsidence coverage written up to a maximum liability limit of one hundred thousand dollars (\$100,000.00) for each risk assumed. Cessions made by the insurer within the coverage limits shall relieve the insurer of all liability for loss stemming from claims made by its policyholders under such policies of mine subsidence insurance. Acceptance of such cessions by the Administrator shall not create any legal liability. The fund shall be solely liable for the ceded coverage and shall be entitled to any profits earned and shall bear any losses incurred from such business.
2. To achieve maximum uniformity in the handling of claims, the reinsurance agreement shall contain a provision requiring claim supervision or handling, or, both under the direction of the Administrator.
3. In order for the Fund to be liable to an insurer for reinsurance of a mine subsidence claim the insurer must provide mine subsidence coverage using policy and endorsement forms approved by the Administrator as being in compliance with this plan.
4. A ceding Commission of thirty percent (30%) will allow only on the gross rate portion of the premium charged policyholders. Any portion of the premium attributed to municipal taxes or state premium surcharge shall be subject to the rules and regulations otherwise governing such transactions.
5. Accounting for premiums and losses arising from business written by the insurer and ceded to the Fund shall be on forms prescribed by the Administrator. A copy of the prescribed "Quarterly Report Form" is attached as Exhibit 5.
6. An insurer may, but is not required to, write mine subsidence coverage in excess of the limits provided by the Fund. The Fund shall have no liability to the insurer or its insured for any amount of coverage written excess of its statutory authority.
7. In the event of loss under a policy providing excess coverage, the insurer shall be liable under the terms of its policy to its insured for any covered excess portion without regard as to whether or not the primary portion of the loss (within the limits of liability of the Fund) is collectible from the Fund.

SECTION X

Underwriting

1. The Administrator may adopt underwriting rules for use with its rate classification system and manual of rates. Such rules shall be applied by the insurer in determining acceptance or rejection of the risk for mine subsidence coverage only. The insurer may apply its own underwriting rules in determining acceptance, rejection, or cancellation of its policy of basic property insurance and its decision shall control the disposition of the mine subsidence coverage without regard to the fact that the structure may qualify for mine subsidence coverage under the rules of the Administrator.
2. The Administrator shall review the rating structure and adopt such changes subject to the approval of the Commissioner. The Commissioner shall maintain a rating structure, which is neither excessive, inadequate nor unfairly discriminatory. Rate structure is expected to cover all losses and expenses to be incurred during the succeeding year, and include a reserve for unexpected contingencies.
3. At the Administrator's discretion, an actuary will review and evaluate premium rates. The actuary will examine and analyze loss reserves, premium collections, claim adjustments, and any and all other aspects affecting the financial condition of the Mine Subsidence Insurance Fund. No insurer shall use any classification plan or manual of rates for mine subsidence except those adopted and approved by the Administrator for the use of all insurers.

SECTION XI

Claims Procedures & Cost

1. The insured should report the possibility of mine subsidence damage directly to the insurer or its authorized agent.
2. Upon notice of a potential mine subsidence claim, the insurer shall immediately forward a completed ACORD claim form or its equivalent and a KMSIF Notice of Loss Form to the Administrator. A KMSIF Interview Form should also be submitted, Exhibit 6.

The insurer shall furnish the Administrator with a copy of the policy declaration page showing the amount of mine subsidence insurance applicable to the damaged structure.

3. The Administrator may assign the reported claims to consultant adjuster for investigation when the company questions the cause and origin of the reported mine subsidence property damage.

When a questionable mine subsidence claim exists and the consultant adjuster is unable to certify the cause and origin of the reported loss, the administrator may approve engineering services to establish:

- A. Verification of underground coal mining in the immediate area of damaged property.
- B. Establish date the mining took place. (Pre or post 8/3/77.)
- C. Determine if reported damage is related to mine subsidence as opposed to settling, landslide, earthquake or other non-mine subsidence causes.

Required engineering service is not expected to exceed 25% of the reported claims on dwelling structures and 50% of the reported claims on non-dwelling structures. Claim procedures will be the same for pre and post August 3, 1977 mine subsidence claims. Post August 3, 1977 claim and adjusting expenses will be paid from the Mine Subsidence Insurance Premium Income Fund. **Should damages occur because of Post August 3, 1977 mining the Fund will look to the mining company to accept its responsibility for such damages. In addition the Fund will attempt to recover all investigative costs expended from the responsible mining company.**

- 4. The adjusting firm will report directly to KMSIF with copies of all correspondence sent to the insurer.
- 5. All payment authorizations will come from the Administrator. No reinsurance will be available for claims paid by the company without prior approval by the Administrator.
- 6. After the insurer has made an authorized payment its insured the insurer shall remit to the Administrator a copy of the draft and settlement papers, including any subrogation receipt, for reimbursement from the Fund.
- 7. Right of Subrogation KRS 304.44-110.
 - a. All insurers issuing mine subsidence coverage shall retain the right of subrogation.
 - b. The Administrator shall retain the right of subrogation.
 - c. The insurer shall include in its claim reports an itemized list of losses in subrogation and shall remit to the Fund all monies, less expenses, recovered as the result of subrogation actions.

SECTION XII

Operation

- 1. The Administrator shall have the authority to oversee and supervise the daily operations of the Fund either directly through employees, or through a person engaged for that purpose, or indirectly through facilities obtained by contract. In either event, the Administrator shall recover costs, whether incurred directly or indirectly, from the Fund.
- 2. The Administrator shall segregate all monies received for and on behalf of the Mine Subsidence Insurance Fund from any other source of monies received. The Administrator may divide the Mine Subsidence Insurance fund into operations

categories in order to maximize investment return on those portions not needed in liquid form for daily operation.

SECTION XIII

Accounting and Investment Procedures

1. The insurer shall submit quarterly a statement of mine subsidence premium transactions to the Administrator on the prescribed form of format. The Quarterly Report Form prescribed by the Administrator is attached as Exhibit 5.
2. The Administrator may submit an annual report of all mine subsidence premium and claim transactions to the Commissioner. Interim reports will be made upon request of the Commissioner.
3. Two accounts will be established; one to accommodate the mine subsidence premium income account; and one to accommodate investment account.

Premium Income Account

The Mine Subsidence Insurance Fund will generate dollars as mine subsidence insurance policies are written. As premiums are forwarded to the insurers, seventy percent (70%) of each premium dollar will be forwarded to the Kentucky Insurance Department and deposited into the Mine Subsidence Insurance Premium Income Account.

Investment Account

The Administrator will review the premium income account monthly and will determine the amount of funds not needed in liquid form for daily operation of the fund. Immediately upon such determination, the Administrator will advise the Office of Investment and Debt Management to invest the specified amount. The report will include the date and amount of funds transferred from the premium account to the investment account, the type of investment made, maturity date, and amount of interest earned. The records will maintain current and past balances and transaction information.

The Department of Insurance proposed legislation to the 1986 Kentucky General Assembly seeking authority to restrict all interest earned from Mine Subsidence premiums exclusively to benefit the mine subsidence insurance fund. See KRS 304.44.115

KENTUCKY MINE SUBSIDENCE REINSURANCE AGREEMENT

This reinsurance agreement is entered into between

(“The insurer”)

and the Kentucky Mine Subsidence Insurance Fund (“the Fund”). **This agreement is effective as of July 14, 1998.**

I. **DEFINITIONS.** As used in the agreement:

1. “Department” means the Department of Insurance.
2. “Commissioner” means the Commissioner of Insurance of the Commonwealth of Kentucky.
3. “Mine Subsidence Insurance Fund” of “Fund” means the fund established by this subtitle and administered as determined by the department. KRS 304.44-010(3).
4. “Administrator” means the organization designed by the Commissioner of the department to administer the fund. KRS 304.44-010(7).
5. “Manager” means the person chosen by the Administrator to handle day to day operations.
6. “Mine Subsidence” means the collapse of underground coalmines resulting in damage to a structure. It does not include loss caused by earthquake, landslide, water seepage, volcanic eruption or collapse of storm and sewer drains. KRS 304-44-010(2).
7. “Structure” means any dwelling, building or fixture permanently affixed to realty, but does not include land, trees, plants or crops. KRS 304.44-010-(6).
8. “Permanently affixed to realty” as used in the statutory definition of “structure” means that the dwelling, building or fixture was assembled or constructed at its present location upon a permanent foundation. It does not include any dwelling; building or fixture designed to be mobile or portable from location whether or not then located on a temporary foundation.
9. “Insurer” means any insurance company authorized by the Commissioner under any provision of KRS Chapter 304 to write property insurance in this state.

10. "Policy" means a contract of insurance providing mine subsidence insurance. KRS 304.44-010(4).
11. "Contract of insurance" as used in the statutory definition of "policy" includes an endorsement for attachment to a "policy".
12. "Basic property insurance" means the coverage against the peril of fire for direct loss to structures permanently affixed to realty at a fixed location.
13. "Premium" means the gross rate charged policyholders for insurance provided by this subtitle. KRS 304.44-010(5)
14. "Gross rate" as used in the statutory definition of "premium" means only the applicable manual rate established by the Administrator for the risk insured and does not include any municipal premium taxes or state insurance surcharges established or required by other authority.
15. "Eligible locations" means those counties of this state, which have underground coal-bearing stratum. They are:

Bath, Bell, Boyd, Breathitt, Breckinridge, Butler, Caldwell, Carter, Christian, Clay, Clinton, Crittenden, Daviess, Edmonson, Elliott, Estill, Floyd, Grayson, Greenup, Hancock, Harlan, Henderson, Hopkins, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, McCreary, McLean, Madison, Magoffin, Martin, Menifee, Montgomery, Morgan, Muhlenberg, Ohio, Owsley, Perry, Pike, Powell, Pulaski, Rockcastle, Rowan, Union, Warren, Wayne, Webster, Whitley, and Wolfe.
16. "Qualified locations," means those eligible locations or counties where the fiscal courts have certified to the Administrator that they have approved of the availability of mine subsidence insurance within that county. They are:

Bell, Boyd, Breathitt, Butler, Carter, Christian, Clay, Daviess, Elliott, Edmonson, Floyd, Greenup, Hancock, Harlan, Henderson, Hopkins, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, McCreary, McLean, Martin, Morgan, Muhlenburg, Ohio, Perry, Union, Webster, Whitley, Wolfe.
17. "First report of loss" is the insurer's first notice to the fund that a policyholder has submitted a mine subsidence insurance claim.
18. "Loss" or "mine subsidence insurance loss" is the amount paid or payable by the insurer to its policyholder for mine subsidence damage sustained within the scope of the statutory mine subsidence insurance coverage.
19. "Plan of Operation" refers to the formal operating procedures followed by the Fund and the insurer, as established by the Administrator and approved by the Commissioner of Insurance.

20. "Proof of reinsured claim" is the documentation required by the plan of Operation to substantiate the fact that the loss in questions was due to mine subsidence and was covered by the statutory mine subsidence insurance coverage.
21. "Statutory mine subsidence insurance coverage" is the coverage which the insurer makes available to policyholders on any permanent structure located in the state in accordance with Chapter 304, Subtitle 44 of the Kentucky Revised Statutes.
22. "Coal Mining Activity" - Pre-August 3, 1977 means mined areas abandoned prior to August 3, 1977. Post-August 3, 1977 means active mines and mined areas abandoned after August 3, 1977.

II. **REINSURANCE**

As of the effective date of this agreement, the insurer agrees to cede and the fund agrees to accept a one hundred percent (100%) quota share of all mine subsidence coverage written up to a maximum liability limit of \$100,000 for each risk assumed. Cessions made by the insurer within the coverage limits shall relieve the insurer of all liability for losses stemming from claims made by its policyholders under such policies of mine subsidence insurance.

Acceptance of such cessions by the Administrator shall not create any legal liability. The Fund alone shall be liable for the ceded coverage and it alone shall be entitled to any profits earned and shall bear any losses incurred from such coverage. The Fund shall pay insurers losses on those losses which occurred in eligible and qualified locations, and in no event shall the Fund have any liability to the insurer for any losses occurring in exempt locations or in locations which are not qualified locations.

Claims supervision and handling shall be subject to the supervision and approval of the Administrator.

In order for the Fund to be liable to an insurer for reinsurance of a mine subsidence claim, the insurer must provide the mine subsidence insurance coverage using policy and endorsement forms approved by the Administrator as being in compliance with this plan.

A ceding commission of thirty percent (30%) will be allowed only on the gross rate portion of the premium charged policyholders. Any portion of the premium attributed to municipal taxes or state premium surcharge shall be subject to the rules and regulations otherwise governing such transactions.

Accounting for premiums and losses arising from business written by the insurer and ceded to the Fund shall be on forms prescribed by the Administrator

An insurer may, but is not required to, write mine subsidence coverage in excess of the limits provided by the Fund. The Fund shall have no liability to the insurer or its insured for any amount of coverage written in excess of its statutory authority.

In the event of loss under a policy providing excess coverage, the insurer shall be liable under the terms of its policy to its insured for any covered excess portion without regard as to whether or not the primary portion of the loss (within the limits of liability of the Fund) is collectible from the Fund.

III. **ESTABLISHMENT OF REASONABLE RULES AND PROCEDURES**

The Fund shall establish reasonable rules and procedures covering the content and timely submission of the following:

1. Reports of reinsured policies in force;
2. Premiums;
3. First reports of loss;
4. Proof of reinsured claims;
5. Periodic status reports on open claims;
6. Pleadings and other relevant documents regarding claims in litigation.

The Fund shall also establish reasonable rules and procedures governing the Fund's reimbursement of insurers.

Such rules and procedures shall be contained either in the Plan of Operation or in periodic bulletins or circulars prepared by the fund. The Plan of Operation and all such bulletins and circulars shall be distributed to the insurers.

IV. **CONDITIONS**

The Fund's obligations to provide reinsurance and to pay the insurer's losses and the authorized fees are conditioned upon the insurer's compliance with the following requirements, in accordance with the Fund's Plan of Operation, bulletins and circulars:

1. Remittance to the Fund of the mine subsidence insurance premiums collected from its policyholders, less its ceding commissions.
2. Timely submission of first reports of loss.
3. Timely submission of proofs of reinsured claims.
4. Timely submission of reports of its statutory mine subsidence insurance coverage.
5. Cooperation in the Fund's examination and audit of the insurer's mines subsidence insurance books and records.
6. Assistance to the Fun in the development of loss reserves for reported claims not yet paid or settled.
7. Timely submission of status reports on open claims.
8. Timely submission of pleadings and other relevant documents regarding claims in litigation.

9. Adjustment of insured's loss in the customary manner.
10. All payment authorizations will come from the Administrator. No reinsurance will be available for claims paid by the company without prior approval by the Administrator.

V. **DISPUTE RESOLUTION**

If the insurer disagrees with the Administrator's determination of the Fund's obligation to pay any reinsured claim or claims, the insurer may request a hearing before the Commissioner or the Commissioner's designated hearing officer. The appointed hearing officer shall make findings of fact, conclusions of law, and recommendations to the Commissioner. If the Commissioner hears the dispute, he shall make findings of fact, conclusions of law, and enter an order. An insurer aggrieved by the Commissioner's order on the hearing may appeal in the manner prescribed by KRS 304.2-370.

This agreement shall terminate upon the repeal of the legislation authorizing the statutory mine subsidence insurance coverage.

KENTUCKY MINE SUBSIDENCE
INSURANCE FUND

INSURER

By _____ By _____

Name: _____ Name: _____

Title: _____ Title: _____

Signed on _____, 19____, Signed on _____, 19____,

at Frankfort, Kentucky.

at _____

Federal Tax Number/IRS Number

**COMMONWEALTH OF KENTUCKY
COAL MINE SUBSIDENCE RATES**

<u>AMOUNT OF COAL MINE SUBSIDENCE INSURANCE ON THE STRUCTURE</u>	<u>PREMIUM DWELLING STRUCTURE</u>	<u>PREMIUM NON-DWELLING (1) STRUCTURE</u>
\$15,000 or Less	\$10.00	\$18.00
15,001 to 20,000	\$11.00	\$19.00
20,001 to 25,000	\$12.00	\$20.00
25,001 to 30,000	\$13.00	\$21.00
30,001 to 35,000	\$14.00	\$22.00
35,001 to 40,000	\$15.00	\$23.00
40,001 to 45,000	\$16.00	\$24.00
45,001 to 50,000	\$17.00	\$25.00
50,001 to 55,000	\$18.00	\$26.00
55,001 to 60,000	\$19.00	\$27.00
60,001 to 65,000	\$20.00	\$28.00
65,001 to 70,000	\$21.00	\$29.00
70,001 to 75,000	\$22.00	\$30.00
75,001 to 80,000	\$23.00	\$31.00
80,001 to 85,000	\$24.00	\$32.00
85,001 to 90,000	\$25.00	\$33.00
90,001 to 95,000	\$26.00	\$34.00
95,001 to 100,000	\$27.00	\$35.00

NOTE: (1) A non-dwelling structure is defined for rating purposed as a building that is not principally for residential purposes or house more than (4) family units.

(2) \$100,000 is the maximum amount of insurance reinsured by the Kentucky Coal Mine Subsidence Fund.

FOR COMPANY USE ONLY - AMOUNTS ABOVE \$100,000

(3)	Dwellings - \$5,000 increments above \$100,000	\$1.00
(4)	Commercial - \$5,000 increments above \$100,000	\$2.00

KENTUCKY MINE SUBSIDENCE INSURANCE FUND WAIVER FORM

WAIVER OF INSURANCE

I (WE) DO NOT DESIRE COAL MINE SUBSIDENCE INSURANCE COVERAGE AND
HEREBY WAIVE ANY RIGHT TO SUCH COVERAGE, UNDER THIS POLICY OR ANY
FUTURE POLICY COVERING MY (OUR) INTEREST IN THE PROPERTY DESCRIBED
IN THE POLICY (IN THE APPLICATION), UNLESS I (WE) REQUEST COAL MINE
SUBSIDENCE COVERAGE, IN WRITING, AT SOME FUTURE DATE.

*
Signature of Named Insured(s)

Policy Number (If Renewal)

Date Signed

*IF INSURED IS A CORPORATION, AN OFFICER OF THE CORPORATION MUST
SIGN WITH HIS TITLE.

KENTUCKY MINE SUBSIDENCE INSURANCE FUND

Loss Reporting Procedures

1. Insured notifies Authorized Agent or Company of potential mine subsidence damage. "Authorized Agent reports the loss to Company".
2. The Company notifies the Kentucky Mine Subsidence Insurance Fund (KMSIF) of a potential mine subsidence claim by forwarding a completed Accord Form or its equivalent, a copy of the declarations page showing the mine subsidence endorsement and a KMSIF Notice of loss form to the Administrator.
3. The Company starts the initial loss investigation and files a report with the KMSIF administrator. A KMSIF interview form should also be sent at this time.

The initial report to the administrator will indicate:

- a. Is reported mine subsidence damage caused by Pre or Post August 3, 1997, underground mining, if known.
- b. Is adjusting assistance needed to determine cause and origin of damage?

No Adjusting Assistance Required

The Company continues the loss adjusting process and provides KMSIF periodic loss reports until the adjustment of loss is finalized.

Adjusting Assistance Required

KMSIF administrator may elect to provide a consultant adjuster. If consultant adjuster recommends the need for a more in-depth investigation the MSIF administrator may involve an engineer to confirm the cause and origin of the reported damage.

4. Consultant adjuster or engineer provides KMSIF with a report of the loss cause and origin. A copy of this report is filed with the insurance company.
5. Company, with assistance of the consultant adjuster if needed, completes loss adjustment and payment for eligible mine subsidence-related damages.
6. Company sends copy of final loss report, claim payment, signed proof of loss and other documents pertaining to the claim to KMSIF administrator.
7. The KMSIF finding the final adjustment and claim payment acceptable will reimburse the company according to the reinsurance agreement.
8. The consultant adjuster's, geologist's and engineer's expenses will be paid direct by the KMSIF.

KENTUCKY MINE SUBSIDENCE INSURANCE FUND

NOTICE OF LOSS

Submit this form to the Kentucky Mine Subsidence Insurance Fund, P. O. Box 517, Frankfort, KY 40601-0517

IDENTIFICATION

REPORTED BY

Identification No.: _____ Name: _____

Insurer: _____ Company: _____

MSIF File No.: _____ Address: _____
(MSIF Use Only)

City: _____ State: _____

Event No.: _____ Zip Code: _____ Telephone No. () _____

CONTACTS

LOSS FIRST REPORTED TO:

CLAIM REPRESENTATIVE:

Name: _____ Name: _____

Address: _____ Address: _____

City: _____ City: _____

State: _____ Zip Code: _____ State: _____ Zip Code: _____

☐ Agent ☐ Insured ☐ Other _____ Telephone No. () _____

LOSS INFORMATION

Insured's Name: _____ Date of Loss: _____

Property Address: _____ Date Loss Reported to Company: _____

City _____ Policy Type: _____

County: _____ Amount of Building Coverage: _____

State: _____ Zip Code: _____ Estimated Reserve: _____

Building Construction: _____ Inception Date of MSIF Coverage: _____

COMMENTS:

EXHIBIT 3 continued

A subscribing company must directly notify the Mine Subsidence Insurance Fund as soon as a potential Mine Subsidence loss has been reported to them. Notification must be in writing.

If there are any questions, please call (502) 564-6055.

INSTRUCTIONS

Section	Information	Instructions
1. Identification	Insurer I.D. Number	Enter the company identifying number, policy and/or claim, used to identify this claim. This is the number MSIF will use in any correspondence with your company.
2. Reported By	Name, Address, Phone Number	Enter the subscribing company representative who is reporting this claim to MSIF.
3. Contacts	Loss First Reported To	Enter the person to whom the insured first reported the potential loss to the company. (e.g., agency, claims rep., broker)
	Claim Representative	Enter the subscribing company claim representative who is responsible for the claim adjustment or claim administration. This is the person to whom all "event" correspondence will be directed.
4. Loss Information	Date of Loss	Enter the date of loss or an approximate date in which the Mine Subsidence damage was first noticed. (The MSIF realizes the nature of such losses and the difficulty in determining the exact date of beginning of the event.)
	Date of Loss Reported to Company	Enter the date on which the loss was initially reported to company.
	Property Address	Enter all information including county if known.
	Type of Policy	Enter type of policy on which the Mine Subsidence endorsement was attached. (e.g., HO, Fire, CMP, etc.)
	Building Coverage	Enter the amount of coverage on the basis fire policy.
	Estimated Reserve	Enter the initial estimate of Mine Subsidence damage (not to exceed \$50,000).
	Building Construction	Enter the type of structure insured. (e.g., frame, masonry, masonry veneer,

		etc.)
	Inception Date of MSIF Coverage	Enter the initial date that the Mine Subsidence coverage became effective. (Usually the policy inception dates.)
5. Comments		Indicate any additional information that would facilitate claim adjustment.

INSURED INTERVIEW FORM

1. Claim Number _____ Adjuster _____
2. Date of This Visit _____
3. Date(s) of Other Visits _____
4. Insurance Company _____
5. Owner(s) _____ Phone _____
6. Tenant(s) _____
7. Address _____
 Location _____ Block _____ of _____
 Street OR _____ Block _____ of _____ Street
8. Names of **ALL** Persons Present for Visit _____
9. General Description of Subject Structure and Foundation Types:
 - A. Use _____
 - B. Size _____
 - C. Type _____ Frame _____ Frame, Brick Veneer
 _____ Brick _____ Concrete Block
 - D. Foundation _____ Full Basement _____ Partial Basement
 _____ Slab _____ Crawl Space
 - E. Material _____ Poured Concrete _____ Concrete Block
 Other _____
 - F. Configuration _____ Single Story _____ Multi Story _____ Split Foyer
10. General Description of Site, Adjoining Property, and Topography:
 - A. Slope _____ Flat _____ Gentle _____ Steep _____ %
 - B. Setting _____ Urban, other house around close
 _____ Rural _____ Rural, in town
11. Date House was built _____
12. Additions or Improvements to Property and Structure
 No _____ Yes _____ Date _____ What Type _____
13. Date, Location of First Evidence of Damage _____
14. Date, Location, and Appearance of Other Damage _____

 Describe Progress of Movement _____
16. Any Problems with Utility Lines in Neighborhood

Water	Yes	No	Sewer	Yes	No
Gas	Yes	No	Other	_____	
17. Notice any New Low Spots in Yard or Neighborhood (Water Standing)

Insured Interview Form Page 2

18. Any New Drainage Problems? (Where) Yes No
Describe

19. Any Damage Reported by Neighbors: Yes Possibly No
When did it start: What Type of Damage

20. Any New Construction on Your Property or Nearby Property?
Yes Possibly No _____
21. Any Excessive Vibration or Shaking of the House?
Yes Possibly No (What is Source) (When)

22. Why Insured Believes Damage is caused by Mine Subsidence?

23. Describe how the serviceability of the building has been impaired.

24. Is reported mine subsidence damage caused by Pre or Post August 3, 1977,
underground mining. PRE POST

MINESUBSIDENCE INSURANCE FUND QUARTERLY REPORT

NAIC NO. # _____

GROUP # _____

REPORTING MONTH _____

Reporting Company _____

Pursuant To The Requirements Established By The Mine Subsidence Insurance Fund The Undersigned Hereby Certifies That The Following Is An Accurate Statement of Transactions Conducted Under The Plan.

PART I - Policy count by county - Indicate in the appropriate blocks the number of policies in force during the reporting period with mine subsidence coverage.

COUNTY #	COUNTY #	COUNTY # & NAME	# POLICIES & NAME	# POLICIES & NAME	# POLICIES
02 Bell	_____	03 Boyd	_____	04 Breathitt	_____
06 Butler	_____	08 Carter	_____	09 Christian	_____
10 Clay	_____	13 Daviess	_____	14 Edmonson	_____
15 Elliott	_____	17 Floyd	_____	19 Greenup	_____
20 Hancock	_____	21 Harlan	_____	22 Henderson	_____
23 Hopkins	_____	24 Jackson	_____	25 Johnson	_____
26 Knott	_____	27 Knox	_____	29 Lawrence	_____
30 Lee	_____	31 Leslie	_____	34 McCreary	_____
35 McLean	_____	38 Martin	_____	41 Morgan	_____
42 Muhlenberg	_____	43 Ohio	_____	45 Perry	_____
51 Union	_____	54 Webster	_____	55 Whitley	_____
56 Wolfe	_____				

Only counties participating in the Mine Subsidence Program are listed above. Any county NOT listed is not a part of KMSIF.

PART II - Premium Transactions - Complete for premium transactions occurring during the reporting month. Round to the nearest dollar. Indicate "0" if no transactions.

1. Gross Premium _____
2. Cancellations _____
3. Adjusted Gross Premiums _____
4. Commissions (30%) _____
5. Net Premiums _____

This report must be completed and returned even if no mine subsidence premium was transacted during the reporting period.

Checks should be made payable to Kentucky State Treasurer and mailed with a signed copy of this report. Forwarded all checks to: Department of Insurance, State Risk & Insurance Services Division, P. O. Box 517, Frankfort, KY 40602-0517.

 Prepared by (Please Print) Title _____

 Signature Date Prepared _____

 Telephone Number _____